1999 PM-USA Share Growth Scenario

Scenario 1

- Marlboro will offer a 40¢ per pack price reduction for 52 weeks in 1999.
- Marlboro will achieve pass through levels of 90+% in all workload stores.
- Other PM and competitive brands will remain at promotional levels consistent with 1998. No/Minimal competitive response.
- 1999 Industry volume reflects 5 year plan

Scenario 2

- PM will offer 40¢ per pack price reduction on Premium and Branded Discount
- Competition follows.

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Scenario 1

PM USA Share/Income

- PM's base rate of growth in 1999 is +1.0pp, reflecting a continuation of current promotional schedule
  - Of the +1.0pp base growth, +0.3pp is due to Marlboro's current price promotional schedule (25¢, 23 weeks)
- PM will realize in incremental +1.5 pp, in place of the 0.3pp, due to the Marlboro 40¢ reduction resulting in a total share gain in 1999 of +2.2pp
  - During 1998 PM gained nearly +1.0pp during Marlboro price promotional periods
  - An additional +0.5pp is expected due to the additional 15¢, full workload coverage, higher/more consistent retail pass through and lack of competitive spending over 1998 levels
- Estimated IFO impact -$1.8 billion

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Scenario 1

RJR Share\Income

- Among competitive manufacturers, RJR will account for approximately 65% of the total share decline
  - During 1998 Marlboro price promotion periods RJR provided relatively high levels of promotional support for its core brands and experienced about 50% of the total share loss
  - During 1999 RJR's loss is expected to be higher due to the assumption that competitive promotional levels will remain constant with 1998 (providing less "insulation" for its core brands)
  - RJR's 1999 share loss is projected to decline -1.4pp. This decline is less than the -1.8pp share pt. loss that RJR expected 1 year after Marlboro Friday.
  - Estimated IFO impact $150 mil.
    - Current '99 RJR IFO estimated at $500 mil.

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Scenario 1

B&W Share

- B&W's share decline in 1999 will be fairly consistent with its losses incurred in 1998 during Marlboro promotional periods.

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario 8/12/98
Only Marlboro Reduces Price in 1999

		1999 Shr Δ	1999 Share	1999 Volume
Base 1999 PM Share Growth (incl Marlboro promos)		1.0		
Less Current Marlboro Price Promos		-0.3		
		0.7		
52 weeks Marlboro @ 40¢ off		1.5		
1999 PM-USA		**2.2**	**52.1**	**205.0**
Premium	2.4			
Discount	-0.2			
Premium Mix	87%			
1999 RJR		**-1.4**	**22.6**	**88.9**
Premium	-0.5			
Branded Discount	-0.3			
Private Label	-0.6			
Premium Mix	**63%**			
1999 B&W		**-0.7**	**14.4**	**56.5**
Premium	-0.3			
Discount	-0.4			
Premium Mix	**43%**			
1999 Lorillard		**0.0**	**8.9**	**35.0**
Premium	0.1			
Discount	-0.1			
Premium Mix	**90%**			
1999 Liggett		**-0.1**	**1.0**	**4.1**
Premium	-0.1			
Discount				
Premium Mix	**19%**			
1999 Miscellaneous		**0.0**	**1.0**	**3.7**
Premium	0			
Discount	0			
Premium Mix	**9%**			
1999 Total Industry				**393.2**
Premium	1.6			
Discount	-1.6			
Discount Share	**25.7%**			

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Tentative Working Estimates

Marlboro 40¢ r 1999
8/13/98 12:44 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

FIVE YEAR PLAN

VOLUME	1996	1997	1998	1999	2000	2001	2002	98 vs. '02
PM-USA	230.8	235.2	222.2	205.0	200.7	199.0	197.0	-25.2
RJR	119.1	116.9	106.8	88.9	79.6	72.7	66.2	-40.6
B&W	83.6	77.3	67.0	56.5	51.2	46.8	42.6	-24.4
Lorillard	40.4	41.8	39.6	35.0	33.5	33.0	32.4	-7.2
Misc	2.9	5.2	4.2	3.7	3.5	3.4	3.3	-1.0
Liggett	9.0	6.5	5.1	4.1	3.5	3.4	3.2	-1.8
TOTAL	**485.8**	**482.9**	**445.0**	**393.2**	**372.0**	**358.3**	**344.8**	**-100.2**
					-5.38%	-3.69%	-3.77%	

SHARE	1996	1997	1998	1999	2000	2001	2002	98 vs. '02
PM-USA	47.5%	48.7%	49.9%	52.1%	53.9%	55.5%	57.1%	7.2%
RJR	24.5%	24.2%	24.0%	22.6%	21.4%	20.3%	19.2%	-4.8%
B&W	17.2%	16.0%	15.1%	14.4%	13.8%	13.1%	12.4%	-2.7%
Lorillard	8.3%	8.7%	8.9%	8.9%	9.0%	9.2%	9.4%	0.5%
Misc	0.6%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%
Liggett	1.8%	1.3%	1.1%	1.0%	0.9%	0.9%	0.9%	-0.2%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**

SHARE Δ vs YAGO	1996	1997	1998	1999	2000	2001	2002
PM-USA		1.2%	1.2%	2.2%	1.8%	1.6%	1.6%
RJR		-0.3%	-0.2%	-1.4%	-1.2%	-1.1%	-1.1%
B&W		-1.2%	-1.0%	-0.7%	-0.6%	-0.7%	-0.7%
Lorillard		0.3%	0.3%	0.0%	0.1%	0.2%	0.2%
Misc		0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%
Liggett		-0.5%	-0.2%	-0.1%	-0.1%	0.0%	0.0%
TOTAL		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Tentative Working Estimates

Marlboro 40¢ r 5YP
8/13/98 12:44 PM

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

COMPANY & SEGMENT SUMMARY
SCENARIO 1

	POST MLP (6/94 VS. 6/93)		1998 PRICE PROGRAMS		1999 PROJECTION (MARL 40¢)	
	SHARE CHG	%GAIN/LOSS	SHARE CHG	%GAIN/LOSS	SHARE CHG	%GAIN/LOSS
Philip Morris	2.28	88%	0.96	100%	2.2	100%
R.J. Reynolds	-1.84	-70%	-0.46	-48%	-1.4	-64%
Brown & Williamson	-0.62	-24%	-0.36	-38%	-0.7	-32%
Lorillard	0.33	12%	-0.04	-4%	0	0%
Liggett Group	-0.15	-6%	-0.07	-8%	-0.1	-5%
Commonwealth			-0.02	-2%		
Tot Dsct Cat	-2.30	-88%	-0.65	-68%	-1.6	-73%
Tot Branded Dsct	-1.91	-73%	-0.19	-20%		
Tot Pvt Lbl	-0.39	-15%	-0.46	-47%		

Sources: MSA Shipments & Nielsen
Note: Numbers may not sum to total due to rounding

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

INDUSTRY PERFORMANCE SUMMARY
PRE-MLP VS. CURRENT

	PRE-MLP	CURRENT	DIFFERENCE
RETAIL PRICING			
MARLBORO PRICE	2.23	2.25	0.02
LOWEST DISCOUNT PRICE	1.17	1.59	0.42
$ PRICE GAP	1.06	0.66	-0.40
% PRICE GAP	91%	41%	-50%
DISCOUNT CATEGORY			
DISCOUNT CATEGORY SHARE	38.9	26.9	-12.1
PRIVATE LABEL SHARE	9.0	3.2	-5.7
% CORE BRANDED DISCOUNT	39%	70%	31%
PHILIP MORRIS			
PM SHARE	41.6	48.5	6.9
MARLBORO SHARE	21.3	34.5	13.3

Pricing based on 3/93 & 5/98 time periods
Share based on 3 months ending 3/93 & 6/98

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

SHIPMENT SHARE COMPARISION
12 MONTHS ENDING

	SHARE			SHARE CHANGE	
	Jun-93	Jun-94	Jun-98	6/94 VS. 6/93	6/98 VS. 6/93
Philip Morris	41.33	43.61	48.95	2.28	7.62
Tot Marlboro	22.83	26.37	34.55	3.54	11.71
PM Prem w/o Mrl	8.42	8.12	7.65	-0.30	-0.77
Tot Basic	4.08	4.77	4.94	0.70	0.86
All Other Branded Disc.	3.11	2.58	1.25	-0.53	-1.85
Tot Pvt Lbl PM	2.88	1.76	0.55	-1.12	-2.33
R.J. Reynolds	30.14	28.30	24.26	-1.84	-5.87
Tot Winston	6.10	6.58	5.36	0.48	-0.74
Tot Camel	3.95	3.84	4.85	-0.11	0.90
Tot Salem	4.18	3.89	3.33	-0.29	-0.85
All Other Premium	2.84	2.44	1.76	-0.40	-1.07
Tot Doral	4.40	4.71	6.56	0.31	2.16
All Other Branded Disc.	6.38	4.14	0.78	-2.24	-5.60
Tot Pvt Lbl RJR	2.29	2.70	1.63	0.41	-0.66
Brown & Williamson	18.95	18.33	15.66	-0.62	-3.29
Tot Kool	3.85	3.54	3.37	-0.31	-0.48
All Other Premium	4.51	4.15	3.49	-0.36	-1.02
Tot GPC	4.97	5.25	6.09	0.28	1.12
All Other Branded Disc.	4.64	4.13	2.04	-0.52	-2.61
Tot Pvt Lbl B&W	0.98	1.26	0.67	0.29	-0.30
Lorillard	7.01	7.33	8.82	0.33	1.82
Tot Newport	4.74	5.04	6.77	0.31	2.03
All Other Premium	1.97	2.00	1.13	0.03	-0.84
Lorillard Dsct Cat	0.30	0.29	0.93	-0.01	0.63
Liggett Group	2.56	2.41	1.29	-0.15	-1.27
Liggett Prem	0.88	0.61	0.36	-0.28	-0.52
Liggett Branded Dsct	0.82	0.91	0.26	0.09	-0.56
Tot Pvt Lbl Lig	0.86	0.89	0.66	0.03	-0.19
All Other Mfgrs	0.02	0.02	1.02	0.00	1.00
Tot Dsct Cat	35.70	33.40	27.21	-2.30	-8.49
Tot Branded Dsct	28.70	26.79	23.69	-1.91	-5.00
Tot Pvt Lbl	7.00	6.61	3.51	-0.39	-3.49

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

MARLBORO PRICE PROMOTION PERIODS
TOTAL U.S. - ALL OUTLETS COMBINED

	March Promotion			June Promotion			
	4WKS 2/28/98	4WKS 3/28/98	DIFF	4WKS 5/23/98	5WKS 7/4/98	DIFF	AVG. DIFF
Philip Morris	51.79	52.75	0.96	52.28	53.24	0.96	0.96
Marlboro	36.29	37.46	1.17	37.28	38.22	0.94	1.05
PM Prem w/o Mrl	8.78	8.61	-0.17	8.66	8.43	-0.23	-0.20
Basic	5.07	5.06	0.00	4.79	5.13	0.34	0.17
All Other Branded Disc.	1.22	1.22	0.00	1.16	1.11	-0.05	-0.03
Pvt Lbl PM	0.43	0.40	-0.03	0.39	0.36	-0.03	-0.03
R.J. Reynolds	25.58	25.19	-0.40	25.40	24.87	-0.53	-0.46
Winston	5.44	5.39	-0.04	5.34	5.36	0.02	-0.01
Camel	5.84	5.86	0.02	5.93	5.94	0.01	0.02
Salem	3.29	3.21	-0.07	3.22	3.16	-0.06	-0.06
All Other Premium	1.93	1.90	-0.03	1.85	1.78	-0.07	-0.05
Doral	5.19	5.20	0.01	5.31	5.32	0.01	0.01
All Other Branded Disc.	0.68	0.69	0.01	0.69	0.67	-0.03	-0.01
Pvt Lbl RJR	3.21	2.92	-0.29	3.05	2.63	-0.42	-0.35
Brown & Williamson	13.16	12.77	-0.39	12.87	12.53	-0.34	-0.36
Kool	2.93	2.92	-0.01	2.92	2.98	0.06	0.03
All Other Premium	3.51	3.44	-0.07	3.44	3.31	-0.12	-0.09
GPC	4.65	4.39	-0.25	4.50	4.27	-0.23	-0.24
All Other Branded Disc.	1.74	1.70	-0.04	1.71	1.67	-0.03	-0.04
Pvt Lbl B&W	0.33	0.31	-0.02	0.30	0.29	-0.01	-0.02
Lorillard	7.43	7.33	-0.10	7.43	7.44	0.02	-0.04
Newport	5.43	5.40	-0.02	5.49	5.56	0.07	0.02
All Other Premium	1.25	1.22	-0.03	1.20	1.17	-0.03	-0.03
Lorillard Dsct Cat	0.75	0.70	-0.05	0.73	0.71	-0.02	-0.03
Liggett Group	1.40	1.35	-0.05	1.38	1.29	-0.09	-0.07
Liggett Prem	0.30	0.29	-0.01	0.29	0.27	-0.02	-0.02
Liggett Branded Dsct	0.07	0.07	0.00	0.07	0.05	-0.01	0.00
Pvt Lbl Lig	1.03	0.99	-0.04	1.03	0.97	-0.06	-0.05
Commonwealth Brands	0.30	0.28	-0.02	0.28	0.25	-0.03	-0.02
Dsct Cat	24.90	24.16	-0.73	24.22	23.65	-0.57	-0.65
Branded Dsct	19.78	19.43	-0.35	19.36	19.32	-0.04	-0.19
Pvt Lbl	5.12	4.73	-0.38	4.87	4.34	-0.53	-0.46

Source: Nielsen Integrated - Weekly

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario

Scenario 2

- PM will offer a 40¢ per pack price reduction for 52 weeks in 1999
- Competitive manufacturers will follow

PM-USA Share\Income

- PM's base rate of growth in 1999 is +1.0pp, reflecting a continuation of current promotional schedule
  - Of the +1.0pp base growth, +0.3pp is due to Marlboro's current price promotional schedule (25¢, 23 weeks)
- PM will realize in incremental +0.3pp- due to the 40¢ reduction resulting in a total share gain in 1999 of +1.3pp
  - An additional +0.3pp is expected due to threshold pricing (the majority of stores would likely fall below $2.00 per pack), news value from new lower price announcement, and lower absolute price point benefiting the Premium category
- Estimated IFO impact -$3.3 billion

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Scenario 2

RJR Share\Income

- RJR will account for about 55% of the total share decline, fairly consistent with decline rates experienced during 1998 Marlboro price promotions and post MLP.

- Estimated IFO impact $750 mil.
  - Current '99 RJR IFO estimated at $500 mil.

B&W Share

- B&W's share decline in 1999 will be fairly consistent with its losses incurred in 1998 during Marlboro promotional periods.

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

COMPANY & SEGMENT SUMMARY
SCENARIO 2

	POST MLP (6/94 VS. 6/93)		1998 PRICE PROGRAMS		1999 PROJECTION (MARL 40¢)	
	SHARE CHG	%GAIN/LOSS	SHARE CHG	%GAIN/LOSS	SHARE CHG	%GAIN/LOSS
Philip Morris	2.28	88%	0.96	100%	1.3	87%
R.J. Reynolds	-1.84	-70%	-0.46	-48%	-0.8	-53%
Brown & Williamson	-0.62	-24%	-0.36	-38%	-0.5	-33%
Lorillard	0.33	12%	-0.04	-4%	0.2	13%
Liggett Group	-0.15	-6%	-0.07	-8%	-0.2	-13%
Commonwealth			-0.02	-2%		
Tot Dsct Cat	-2.30	-88%	-0.65	-68%	-1.5	-100%
Tot Branded Dsct	-1.91	-73%	-0.19	-20%		
Tot Pvt Lbl	-0.39	-15%	-0.46	-47%		

Sources: MSA Shipments & Nielsen
Note: Numbers may not sum to total due to rounding

2071885706

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario 8/12/98
40¢ Price Reduction in 1999

		1999 Shr Δ	1999 Share	1999 Volume
Base 1999 PM Share Growth (incl Marlboro promos)		1.0		
Less Current Marlboro Price Promos		-0.3		
		0.7		
52 weeks All Products @ 40¢ off		0.6		
1999 PM-USA		**1.3**	**51.2**	**221.6**
Premium	1.5			
Discount	-0.2			
Premium Mix	**87%**			
1999 RJR		**-0.8**	**23.2**	**100.3**
Premium	-0.1			
Branded Discount	-0.3			
Private Label	-0.4			
Premium Mix	**63%**			
1999 B&W		**-0.5**	**14.6**	**63.0**
Premium	-0.1			
Discount	-0.4			
Premium Mix	**44%**			
1999 Lorillard		**0.2**	**9.1**	**39.4**
Premium	0.2			
Discount	0.0			
Premium Mix	**89%**			
1999 Liggett		**-0.2**	**0.9**	**4.1**
Premium	0.0			
Discount	-0.2			
Premium Mix	**32%**			
1999 Miscellaneous		**0.0**	**1.0**	**4.1**
Premium	0.0			
Discount	0.0			
Premium Mix	**9%**			
1999 Total Industry				**432.5**
Premium	1.5			
Discount	-1.5			
Discount Share	**25.8%**			

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Tentative Working Estimates

Industry 40¢ r 1999
8/13/98 12:14 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

FIVE YEAR PLAN

VOLUME	1996	1997	1998	1999	2000	2001	2002	98 vs. '02
PM-USA	230.8	235.2	222.2	221.6	214.6	211.0	207.2	-15.0
RJR	119.1	116.9	106.8	100.3	92.5	87.1	81.9	-24.9
B&W	83.6	77.3	67.0	63.0	57.1	52.7	48.4	-18.6
Lorillard	40.4	41.8	39.6	39.4	38.1	37.5	36.8	-2.8
Misc	2.9	5.2	4.2	4.1	3.9	3.7	3.6	-0.6
Liggett	9.0	6.5	5.1	4.1	3.0	2.1	1.3	-3.8
TOTAL	**485.8**	**482.9**	**445.0**	**432.5**	**409.2**	**394.1**	**379.3**	**-65.8**
					-5.38%	-3.69%	-3.77%	

SHARE	1996	1997	1998	1999	2000	2001	2002	98 vs. '02
PM-USA	47.5%	48.7%	49.9%	51.2%	52.4%	53.5%	54.6%	4.7%
RJR	24.5%	24.2%	24.0%	23.2%	22.6%	22.1%	21.6%	-2.4%
B&W	17.2%	16.0%	15.1%	14.6%	14.0%	13.4%	12.8%	-2.3%
Lorillard	8.3%	8.7%	8.9%	9.1%	9.3%	9.5%	9.7%	0.8%
Misc	0.6%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%
Liggett	1.8%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	-0.8%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**

SHARE Δ vs YAGO	1996	1997	1998	1999	2000	2001	2002
PM-USA		1.2%	1.2%	1.3%	1.2%	1.1%	1.1%
RJR		-0.3%	-0.2%	-0.8%	-0.6%	-0.5%	-0.5%
B&W		-1.2%	-1.0%	-0.5%	-0.6%	-0.6%	-0.6%
Lorillard		0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Misc		0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%
Liggett		-0.5%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
TOTAL		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Tentative Working Estimates

Industry 40¢ r 5YP
8/13/98 12:14 PM

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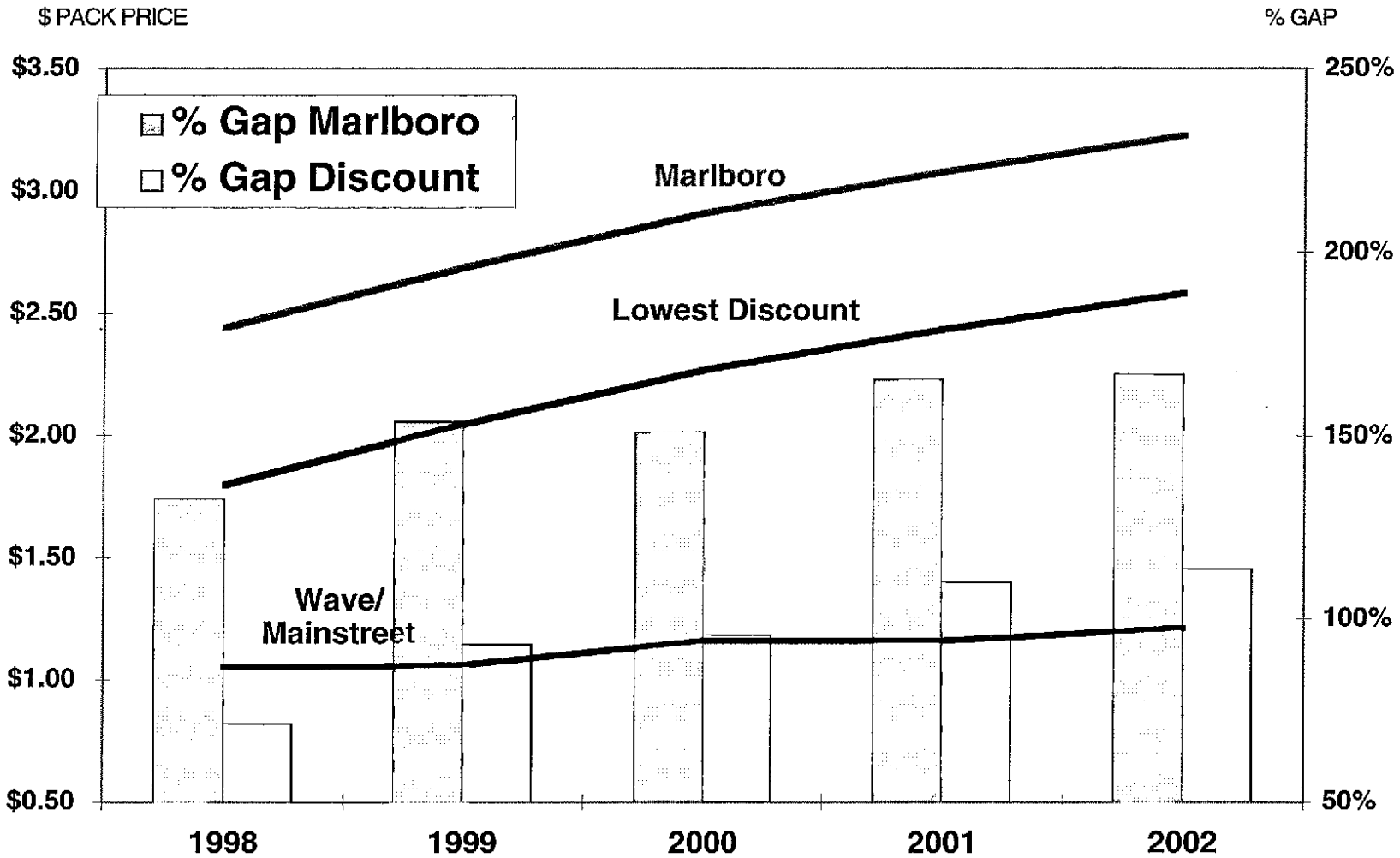
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS



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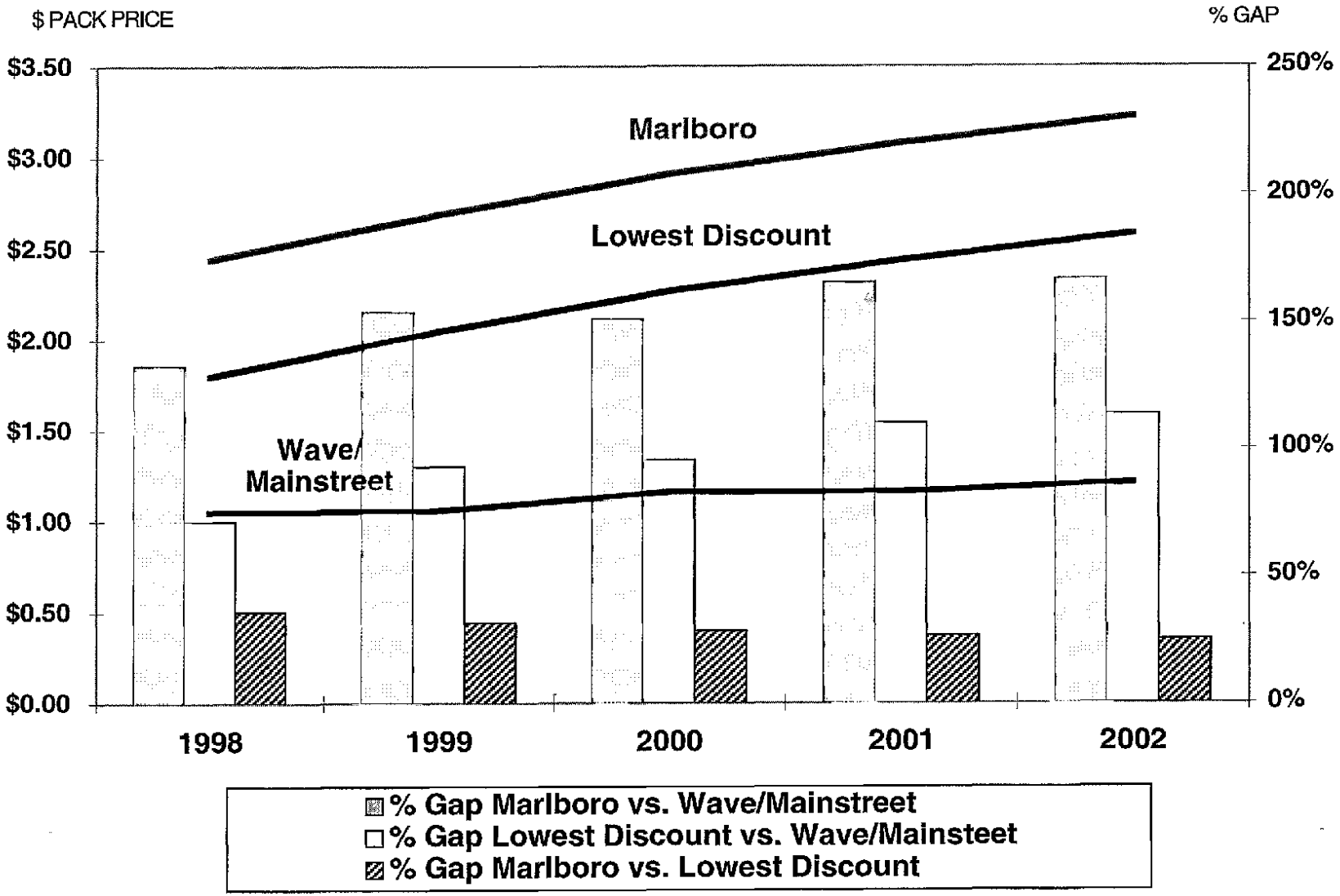
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS



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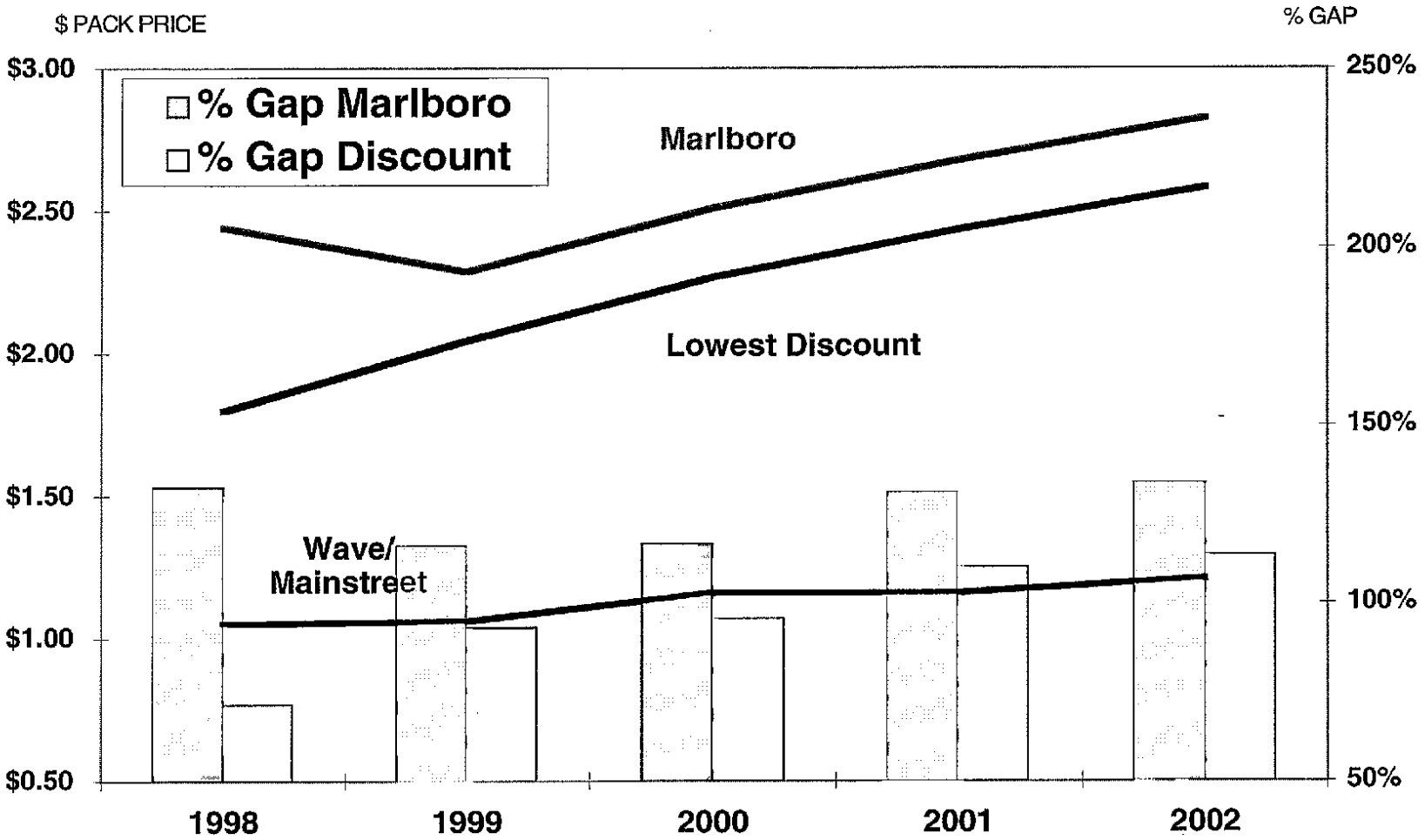
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS
WITH MARLBORO 40¢ PRICE REDUCTION



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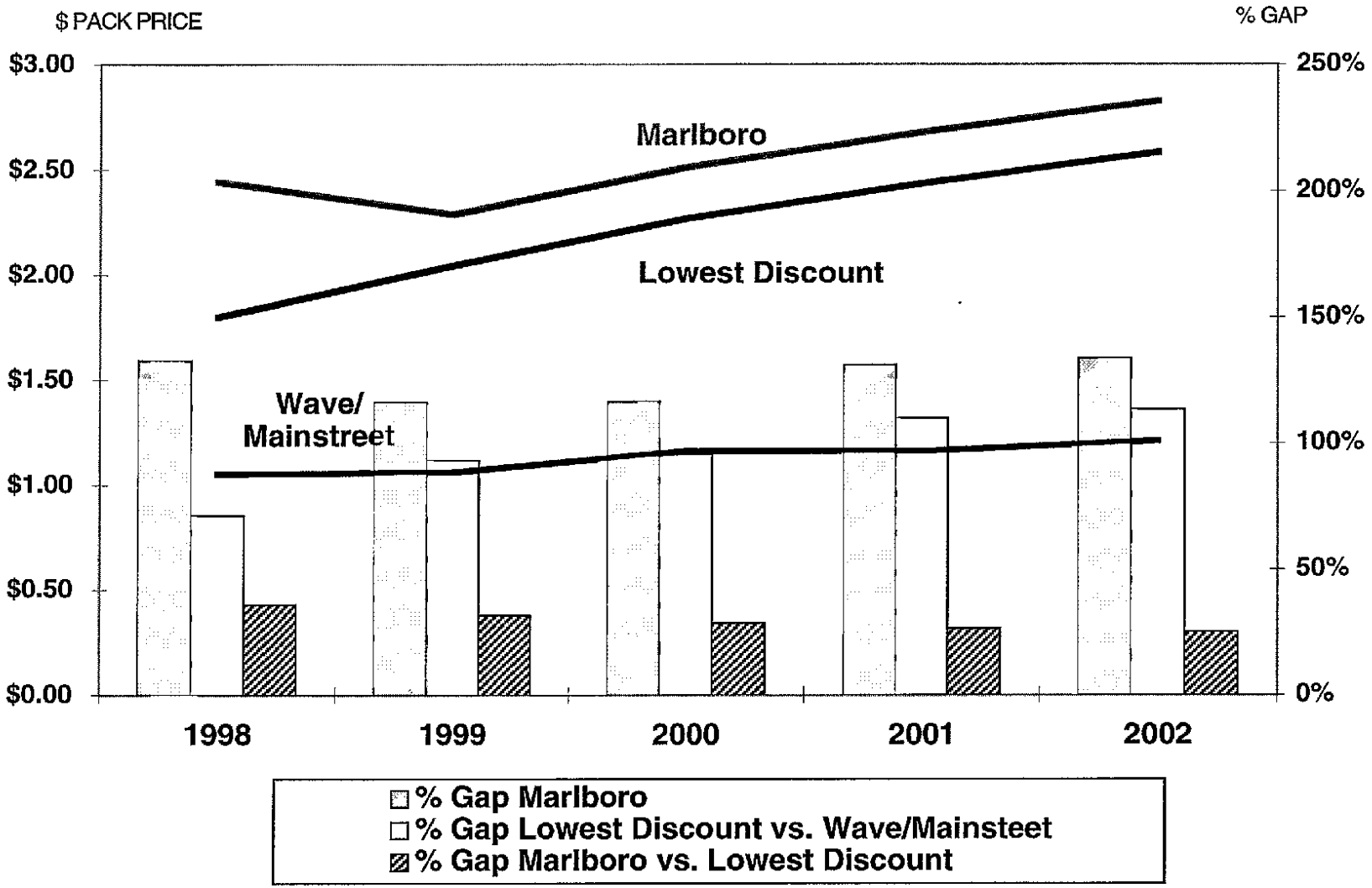
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

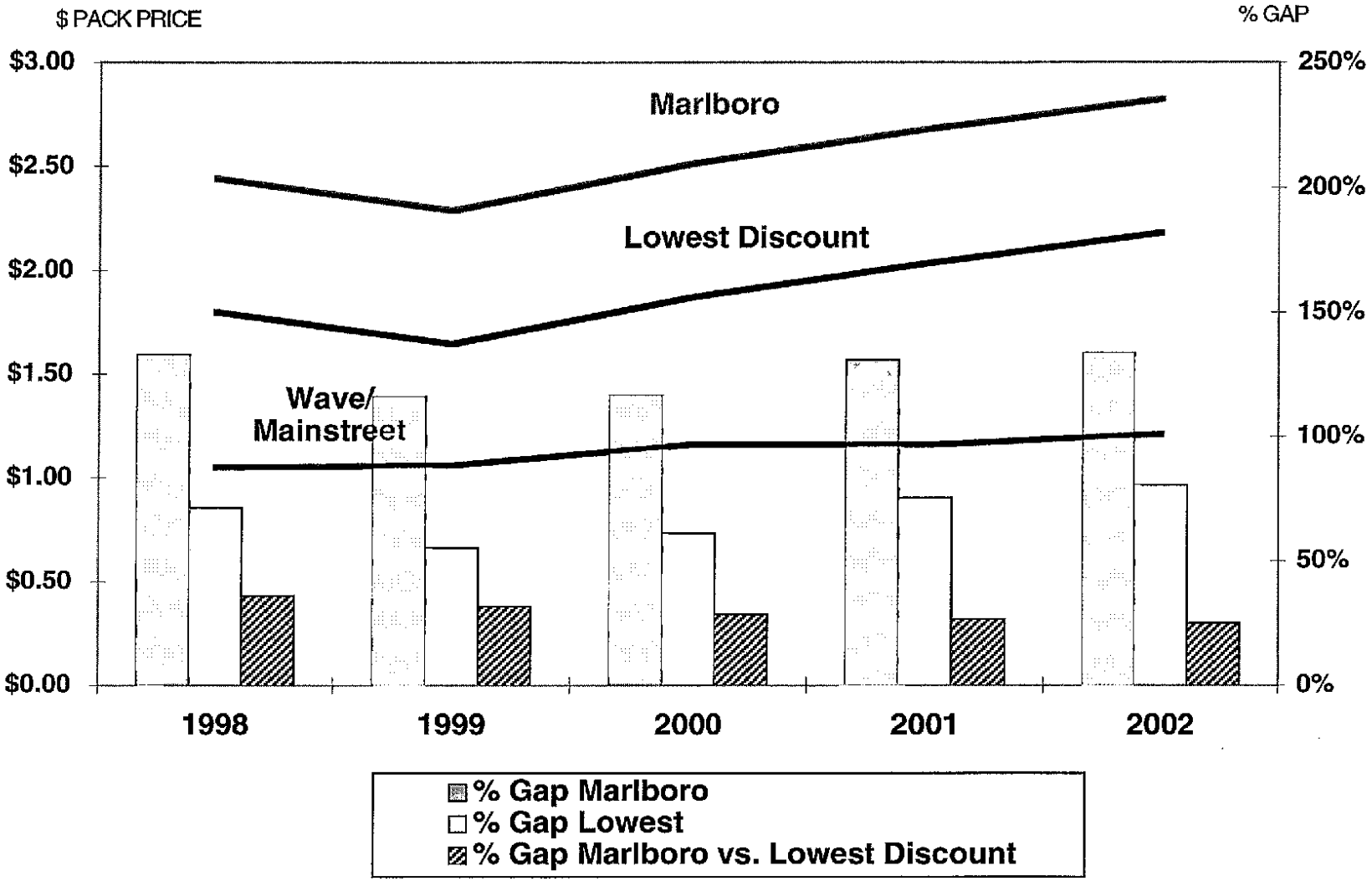
PROJECTED PRICE GAPS
WITH MARLBORO 40¢ PRICE REDUCTION



2071885712

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS WITH 40¢ PRICE REDUCTION



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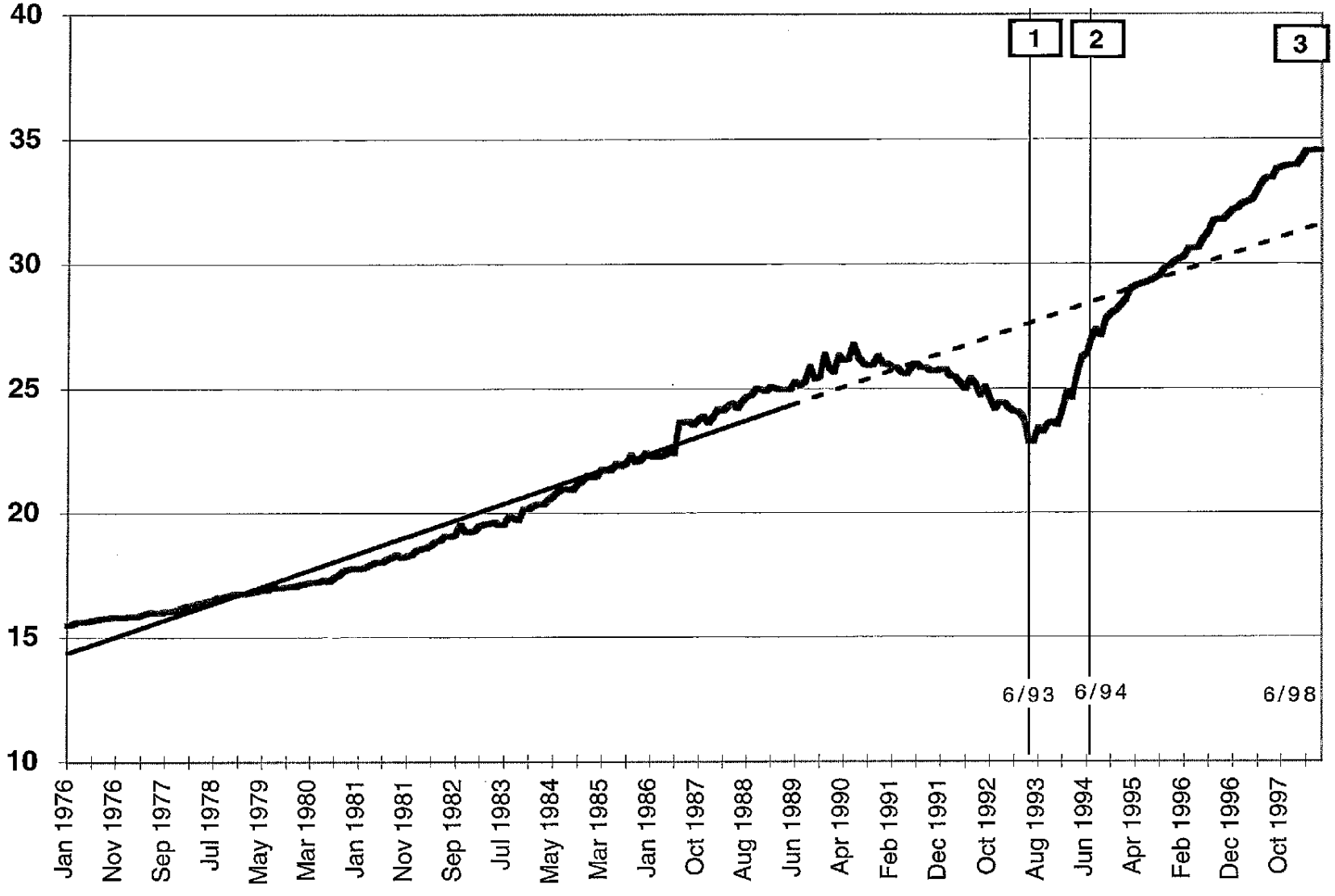
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

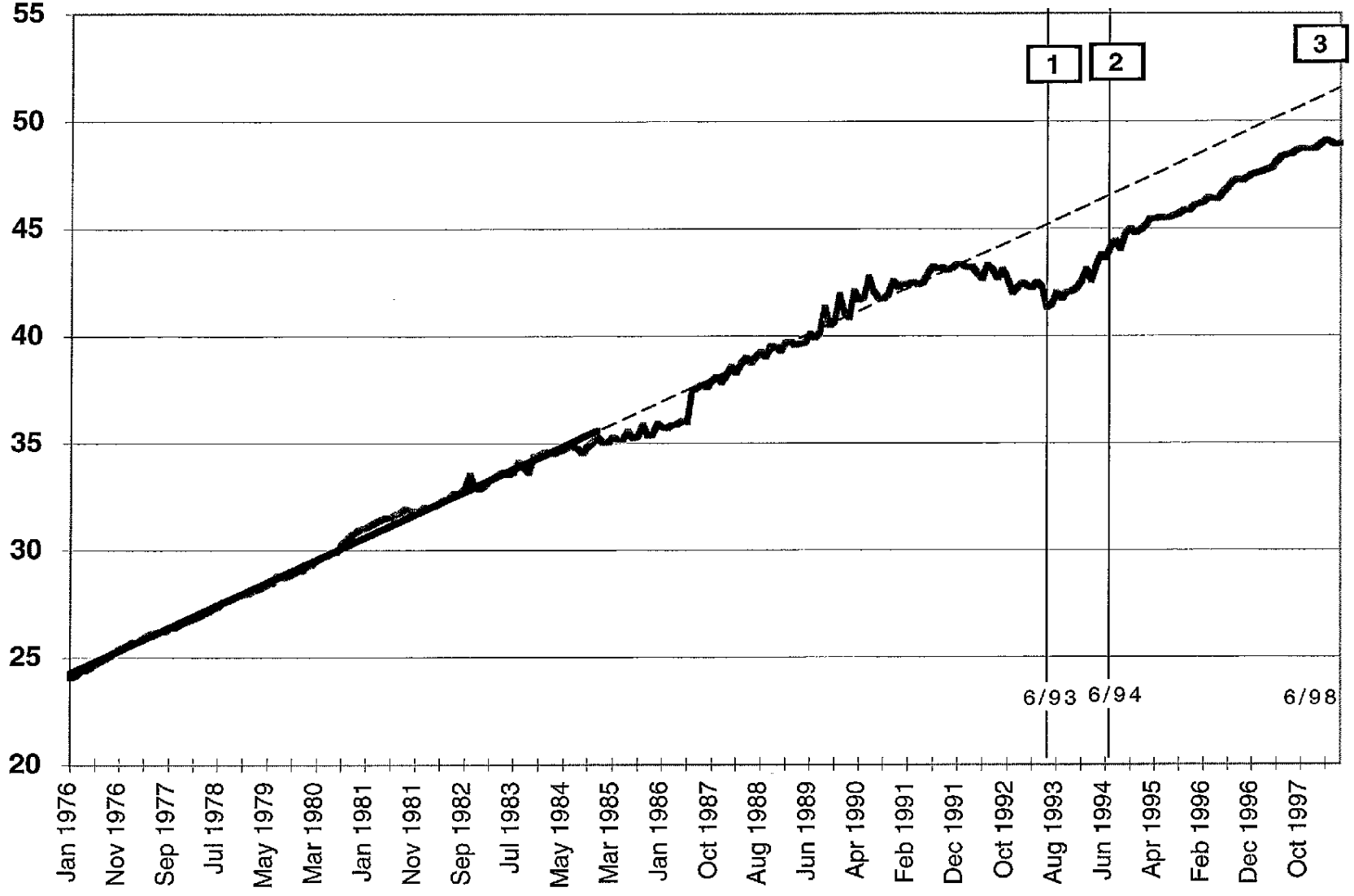
Marlboro Share Trend
12MM Shipments



2071885714

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PM-USA Share Trend
12MM Shipments



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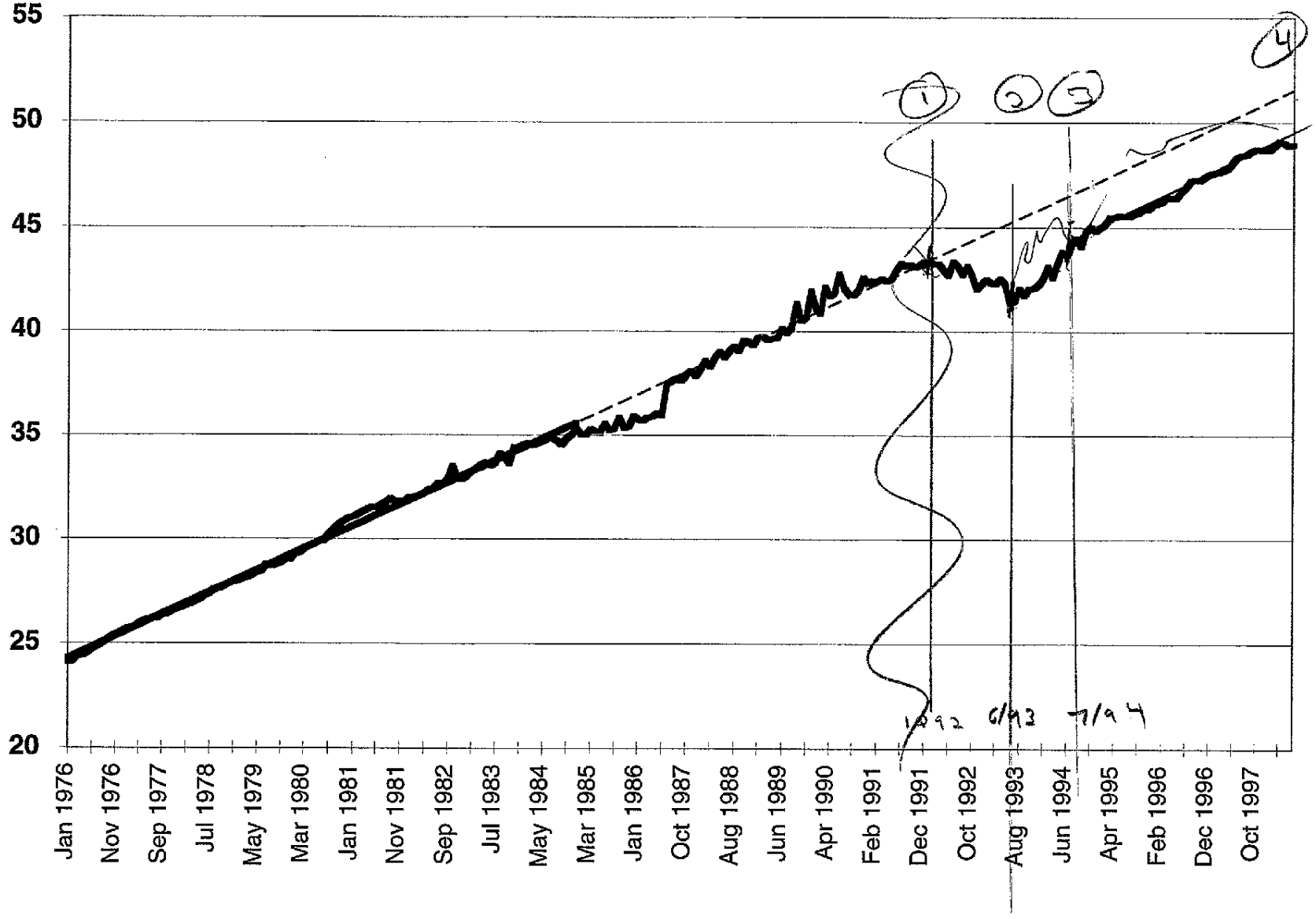
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PM-USA Share Trend
12MM Shipments



2071885716

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario 8/12/98
40¢ Price Reduction in 1999

		1999 Shr Δ	1999 Share	1999 Volume
Base 1999 PM Share Growth (incl Marlboro promos)		1.0		
Less Current Marlboro Price Promos		-0.3		
		0.7		
52 weeks All Products @ 40¢ off		0.6		
1999 PM-USA		**1.3**	**51.2**	**221.6**
Premium	1.5			
Discount	-0.2			
Premium Mix	**87%**			
1999 RJR		**-0.8**	**23.2**	**100.3**
Premium	-0.1			
Branded Discount	-0.3			
Private Label	-0.4			
Premium Mix	**63%**			
1999 B&W		**-0.5**	**14.6**	**63.0**
Premium	-0.1			
Discount	-0.4			
Premium Mix	**44%**			
1999 Lorillard		**0.2**	**9.1**	**39.4**
Premium	0.2			
Discount	0.0			
Premium Mix	**89%**			
1999 Liggett		**-0.2**	**0.9**	**4.1**
Premium	0.0			
Discount	-0.2			
Premium Mix	**32%**			
1999 Miscellaneous		**0.0**	**1.0**	**4.1**
Premium	0.0			
Discount	0.0			
Premium Mix	**9%**			
1999 Total Industry				**432.5**
Premium	1.5			
Discount	-1.5			
Discount Share	**25.8%**			

2071885717

Tentative Working Estimates

Industry 40¢ 1999
8/12/98 5:12 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

FIVE YEAR PLAN

VOLUME	1996	1997	1998	1999	2000	2001	2002
PM-USA	230.8	235.2	222.2	221.6	214.6	211.0	207.2
RJR	119.1	116.9	106.8	100.3	92.5	87.1	81.9
B&W	83.6	77.3	67.0	63.0	57.1	52.7	48.4
Lorillard	40.4	41.8	39.6	39.4	38.1	37.5	36.8
Misc	2.9	5.2	4.2	4.1	3.9	3.7	3.6
Liggett	9.0	6.5	5.1	4.1	3.0	2.1	1.3
TOTAL	**485.8**	**482.9**	**445.0**	**432.5**	**409.2**	**394.1**	**379.3**
					-5.38%	-3.69%	-3.77%

SHARE	1996	1997	1998	1999	2000	2001	2002
PM-USA	47.5%	48.7%	49.9%	51.2%	52.4%	53.5%	54.6%
RJR	24.5%	24.2%	24.0%	23.2%	22.6%	22.1%	21.6%
B&W	17.2%	16.0%	15.1%	14.6%	14.0%	13.4%	12.8%
Lorillard	8.3%	8.7%	8.9%	9.1%	9.3%	9.5%	9.7%
Misc	0.6%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Liggett	1.8%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SHARE Δ vs YAGO	1996	1997	1998	1999	2000	2001	2002
PM-USA		1.2%	1.2%	1.3%	1.2%	1.1%	1.1%
RJR		-0.3%	-0.2%	-0.8%	-0.6%	-0.5%	-0.5%
B&W		-1.2%	-1.0%	-0.5%	-0.6%	-0.6%	-0.6%
Lorillard		0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Misc		0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%
Liggett		-0.5%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
TOTAL		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

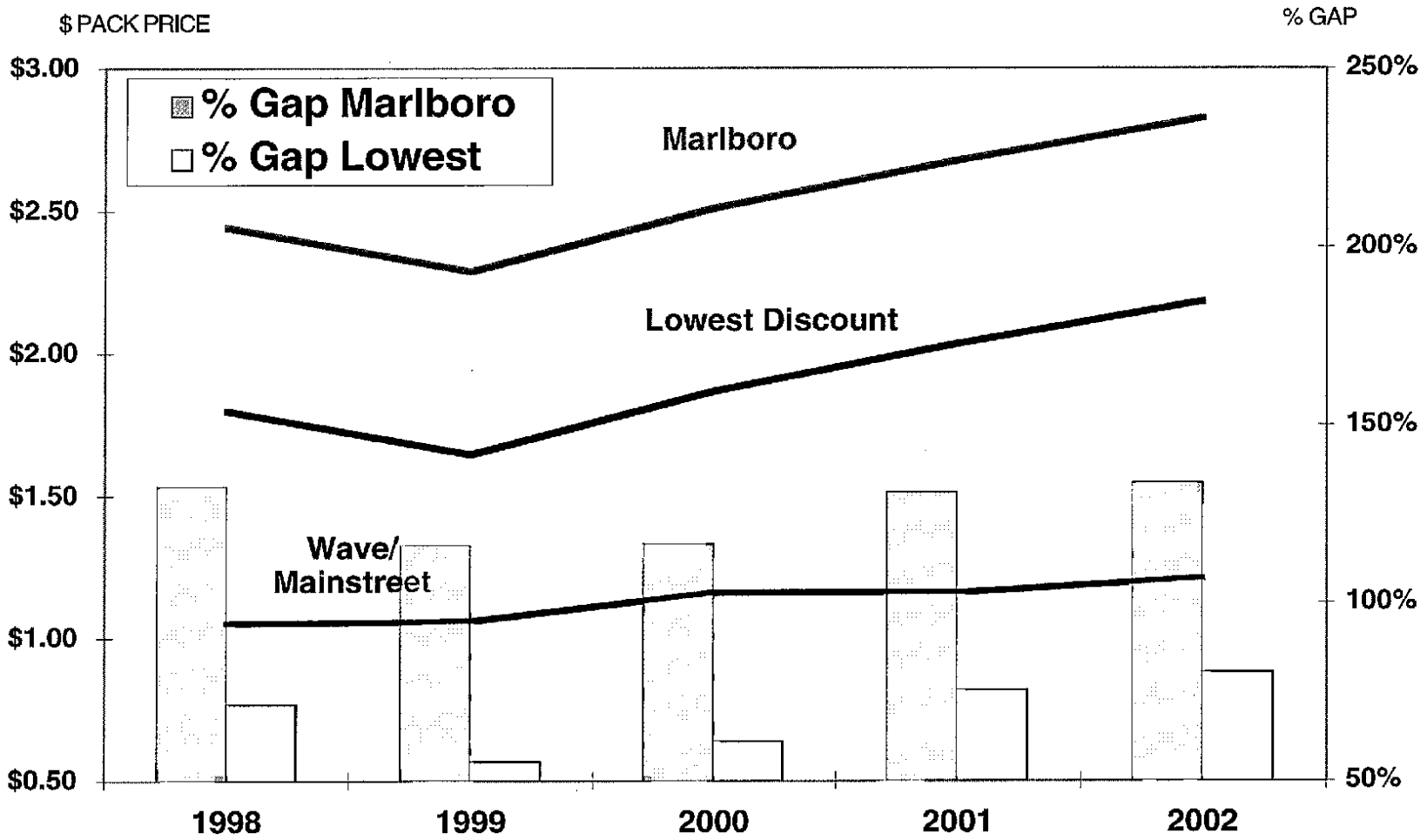
Tentative Working Estimates

2071885718

Industry 40¢ 5YP
8/12/98 5:09 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS WITH 40¢ PRICE REDUCTION



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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario 8/12/98
40¢ Price Reduction in 1999

		1999 Shr Δ	1999 Share	1999 Volume
Base 1999 PM Share Growth (incl Marlboro promos)		1.0		
Less Current Marlboro Price Promos		-0.3		
		0.7		
52 weeks All Products @ 40¢ off		0.6		
1999 PM-USA		**1.3**	**51.2**	**221.6**
Premium	1.5			
Discount	-0.2			
Premium Mix	**87%**			
1999 RJR		**-0.8**	**23.2**	**100.3**
Premium	-0.1			
Branded Discount	-0.3			
Private Label	-0.4			
Premium Mix	**63%**			
1999 B&W		**-0.5**	**14.6**	**63.0**
Premium	-0.1			
Discount	-0.4			
Premium Mix	**44%**			
1999 Lorillard		**0.2**	**9.1**	**39.4**
Premium	0.2			
Discount	0.0			
Premium Mix	**89%**			
1999 Liggett		**-0.2**	**0.9**	**4.1**
Premium	0.0			
Discount	-0.2			
Premium Mix	**32%**			
1999 Miscellaneous		**0.0**	**1.0**	**4.1**
Premium	0.0			
Discount	0.0			
Premium Mix	**9%**			
1999 Total Industry				**432.5**
Premium	1.5			
Discount	-1.5			
Discount Share	**25.8%**			

2071885720

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

FIVE YEAR PLAN

VOLUME	1996	1997	1998	1999	2000	2001	2002
PM-USA	230.8	235.2	222.2	221.6	214.6	211.0	207.2
RJR	119.1	116.9	106.8	100.3	92.5	87.1	81.9
B&W	83.6	77.3	67.0	63.0	57.1	52.7	48.4
Lorillard	40.4	41.8	39.6	39.4	38.1	37.5	36.8
Misc	2.9	5.2	4.2	4.1	3.9	3.7	3.6
Liggett	9.0	6.5	5.1	4.1	3.0	2.1	1.3
TOTAL	**485.8**	**482.9**	**445.0**	**432.5**	**409.2**	**394.1**	**379.3**
					-5.38%	-3.69%	-3.77%

SHARE	1996	1997	1998	1999	2000	2001	2002
PM-USA	47.5%	48.7%	49.9%	51.2%	52.4%	53.5%	54.6%
RJR	24.5%	24.2%	24.0%	23.2%	22.6%	22.1%	21.6%
B&W	17.2%	16.0%	15.1%	14.6%	14.0%	13.4%	12.8%
Lorillard	8.3%	8.7%	8.9%	9.1%	9.3%	9.5%	9.7%
Misc	0.6%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Liggett	1.8%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SHARE Δ vs YAGO	1996	1997	1998	1999	2000	2001	2002
PM-USA		1.2%	1.2%	1.3%	1.2%	1.1%	1.1%
RJR		-0.3%	-0.2%	-0.8%	-0.6%	-0.5%	-0.5%
B&W		-1.2%	-1.0%	-0.5%	-0.6%	-0.6%	-0.6%
Lorillard		0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Misc		0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%
Liggett		-0.5%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
TOTAL		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

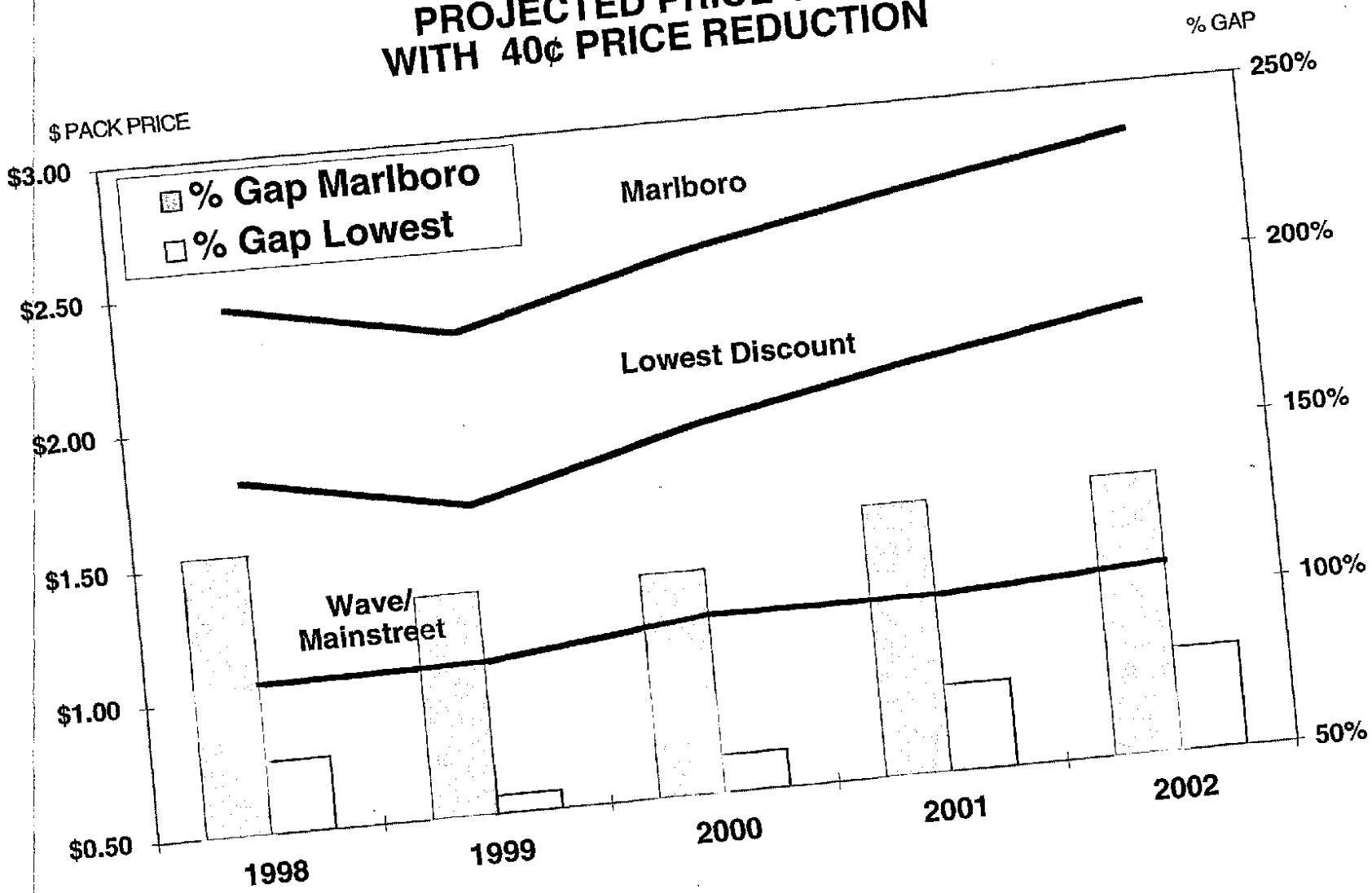
Tentative Working Estimates

2071885721

Industry 40¢ 5YP
8/12/98 5:09 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS WITH 40¢ PRICE REDUCTION



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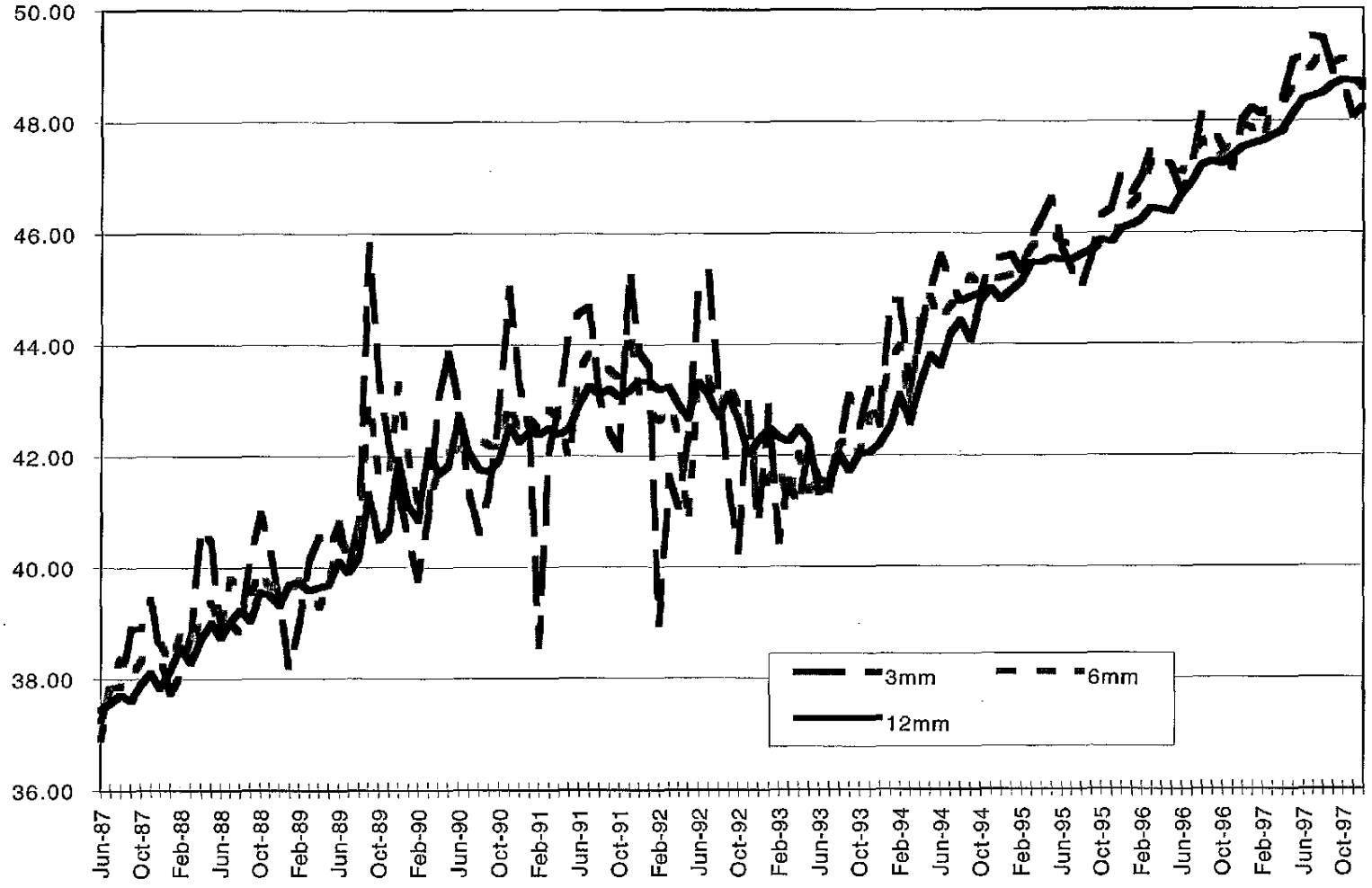
Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PM SHARE



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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

1999 PM-USA Share Growth Scenario 8/12/98
Only Marlboro Reduces Price in 1999

		1999 Shr Δ	1999 Share	1999 Volume
Base 1999 PM Share Growth (incl Marlboro promos)		1.0		
Less Current Marlboro Price Promos		-0.3		
		0.7		
52 weeks Marlboro @ 40¢ off		1.5		
1999 PM-USA		**2.2**	**52.1**	**212.2**
Premium	2.4			
Discount	-0.2			
Premium Mix	87%			
1999 RJR		**-1.4**	**22.6**	**92.0**
Premium	-0.5			
Branded Discount	-0.3			
Private Label	-0.6			
Premium Mix	**63%**			
1999 B&W		**-0.7**	**14.4**	**58.4**
Premium	-0.3			
Discount	-0.4			
Premium Mix	**43%**			
1999 Lorillard		**0.0**	**8.9**	**36.3**
Premium	0.1			
Discount	-0.1			
Premium Mix	**90%**			
1999 Liggett		**-0.1**	**1.0**	**4.2**
Premium	-0.1			
Discount	0.2			
Premium Mix	**19%**			
1999 Miscellaneous		**0.0**	**1.0**	**3.9**
Premium	0			
Discount	0			
Premium Mix	**9%**			
1999 Total Industry				**406.9**
Discount Share	**0.0%**			

2071885724

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

FIVE YEAR PLAN

VOLUME	1996	1997	1998	1999	2000	2001	2002
PM-USA	230.8	235.2	222.2	212.2	207.7	206.0	203.9
RJR	119.1	116.9	106.8	92.0	82.4	75.3	68.5
B&W	83.6	77.3	67.0	58.4	53.0	48.4	44.1
Lorillard	40.4	41.8	39.6	36.3	34.7	34.2	33.6
Misc	2.9	5.2	4.2	3.9	3.7	3.5	3.4
Liggett	9.0	6.5	5.1	4.2	3.6	3.5	3.4
TOTAL	**485.8**	**482.9**	**445.0**	**406.9**	**385.1**	**370.8**	**356.9**
					-5.38%	-3.69%	-3.77%

SHARE	1996	1997	1998	1999	2000	2001	2002
PM-USA	47.5%	48.7%	49.9%	52.1%	53.9%	55.5%	57.1%
RJR	24.5%	24.2%	24.0%	22.6%	21.4%	20.3%	19.2%
B&W	17.2%	16.0%	15.1%	14.4%	13.8%	13.1%	12.4%
Lorillard	8.3%	8.7%	8.9%	8.9%	9.0%	9.2%	9.4%
Misc	0.6%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Liggett	1.8%	1.3%	1.1%	1.0%	0.9%	0.9%	0.9%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SHARE Δ vs YAGO	1996	1997	1998	1999	2000	2001	2002
PM-USA		1.2%	1.2%	2.2%	1.8%	1.6%	1.6%
RJR		-0.3%	-0.2%	-1.4%	-1.2%	-1.1%	-1.1%
B&W		-1.2%	-1.0%	-0.7%	-0.6%	-0.7%	-0.7%
Lorillard		0.3%	0.3%	0.0%	0.1%	0.2%	0.2%
Misc		0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%
Liggett		-0.5%	-0.2%	-0.1%	-0.1%	0.0%	0.0%
TOTAL		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Tentative Working Estimates

2071885725

Marlboro 40¢ 5YP
8/12/98 4:27 PM

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Promo Share Chg

Add All other Branded Discount
And PL

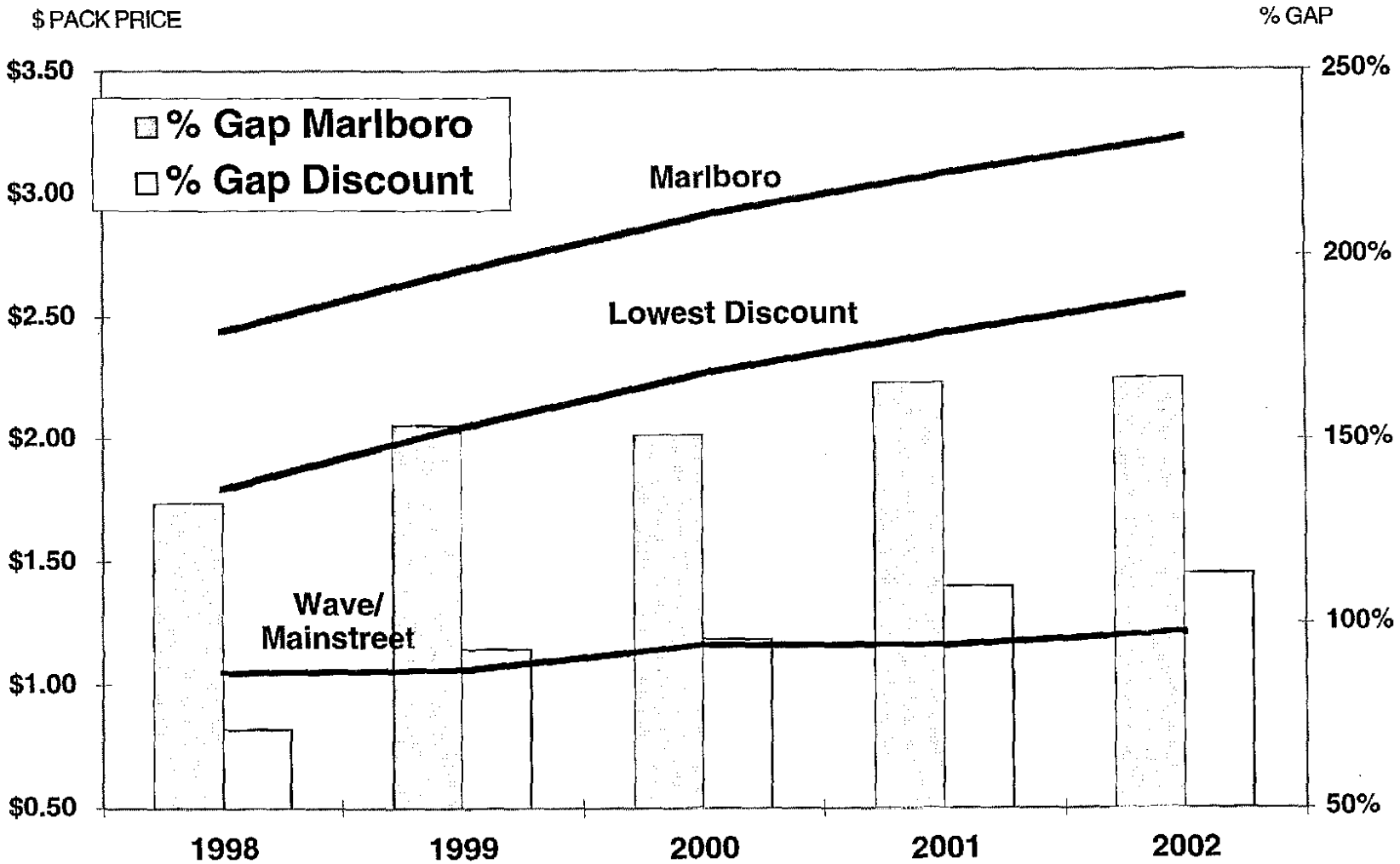
Nielsen Integrated - Weekly
All Outlets Combined - Total U.S.
Share of Industry

	March Promotion			June Promotion			
	4WKS 2/28/98	4WKS 3/28/98	DIFF	4WKS 5/23/98	5WKS 7/4/98	DIFF	AVG. DIFF
Philip Morris	51.79	52.75	0.96	52.28	53.24	0.96	0.96
Tot Marlboro	36.29	37.46	1.17	37.28	38.22	0.94	1.05
Tot Basic	5.07	5.06	0.00	4.79	5.13	0.34	0.17
PM Prem w/o Mrl	8.78	8.61	-0.17	8.66	8.43	-0.23	-0.20
R.J. Reynolds	25.58	25.19	-0.40	25.40	24.87	-0.53	-0.46
Tot Camel	5.84	5.86	0.02	5.93	5.94	0.01	0.02
Tot Doral	5.19	5.20	0.01	5.31	5.32	0.01	0.01
Tot Salem	3.29	3.21	-0.07	3.22	3.16	-0.06	-0.06
Tot Winston	5.44	5.39	-0.04	5.34	5.36	0.02	-0.01
Tot Pvt Lbl RJR	3.21	2.92	-0.29	3.05	2.63	-0.42	-0.35
Brown & Williamson	13.16	12.77	-0.39	12.87	12.53	-0.34	-0.36
Tot Kool	2.93	2.92	-0.01	2.92	2.98	0.06	0.03
Tot GPC	4.65	4.39	-0.25	4.50	4.27	-0.23	-0.24
Lorillard	7.43	7.33	-0.10	7.43	7.44	0.02	-0.04
Tot Newport	5.43	5.40	-0.02	5.49	5.56	0.07	0.02
Liggett Group	1.40	1.35	-0.05	1.38	1.29	-0.09	-0.07
Commonwealth Brands	0.30	0.28	-0.02	0.28	0.25	-0.03	-0.02
Tot Dsct Cat	24.90	24.16	-0.73	24.22	23.65	-0.57	-0.65

2071885726

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

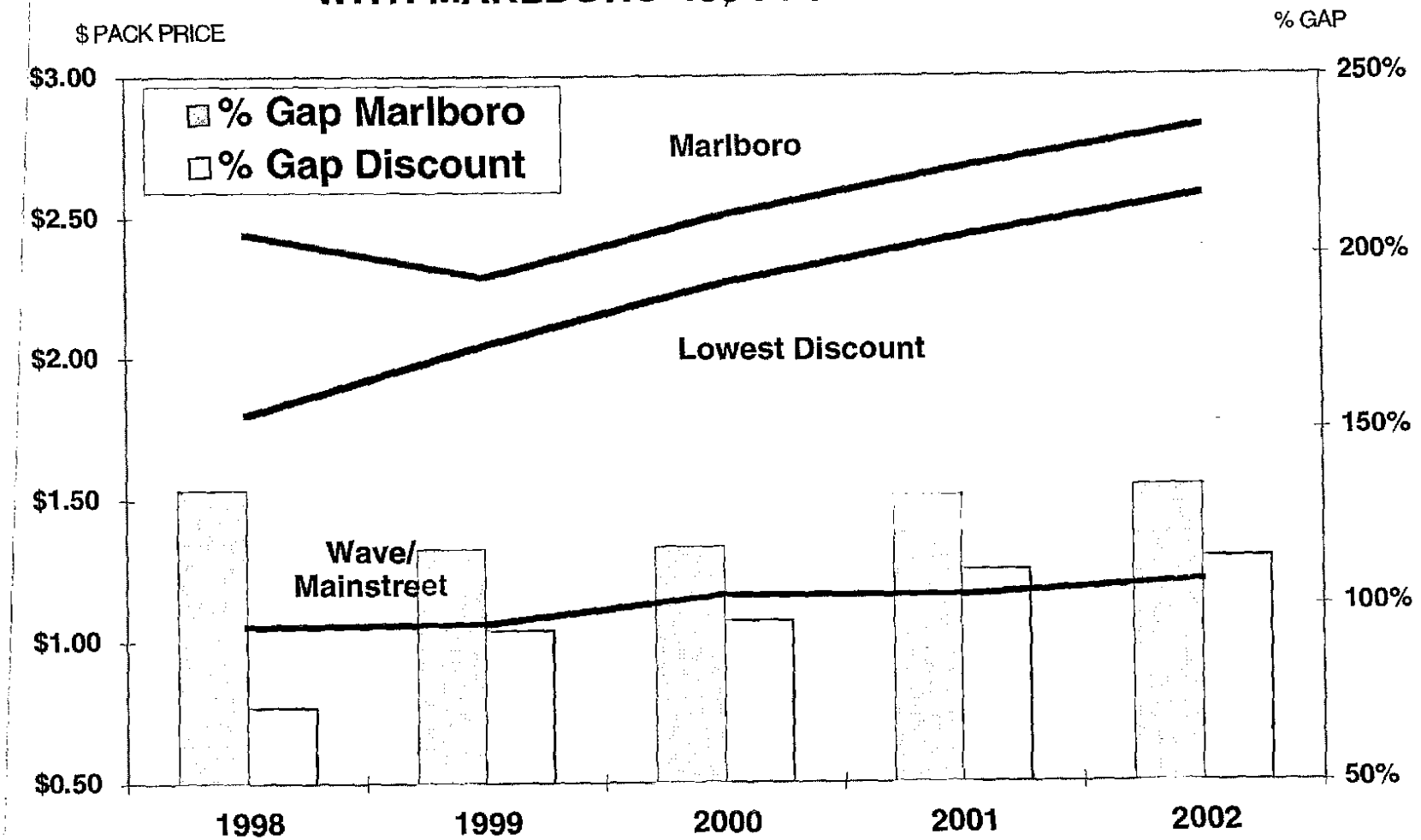
PROJECTED PRICE GAPS



2071885727

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

PROJECTED PRICE GAPS
WITH MARLBORO 40¢ PRICE REDUCTION



2071885728

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Promo Share Chg

Nielsen Integrated - Weekly
All Outlets Combined - Total U.S.
Share of Industry

	March Promotion			June Promotion			
	4WKS 2/28/98	4WKS 3/28/98	DIFF	4WKS 5/23/98	5WKS 7/4/98	DIFF	AVG. DIFF
Philip Morris	51.79	52.75	0.96	52.28	53.24	0.96	0.96
Tot Marlboro	36.29	37.46	1.17	37.28	38.22	0.94	1.05
Tot Basic	5.07	5.06	0.00	4.79	5.13	0.34	0.17
PM Prem w/o Mrl	8.78	8.61	-0.17	8.66	8.43	-0.23	-0.20
R.J. Reynolds	25.58	25.19	-0.40	25.40	24.87	-0.53	-0.46
Tot Camel	5.84	5.86	0.02	5.93	5.94	0.01	0.02
Tot Doral	5.19	5.20	0.01	5.31	5.32	0.01	0.01
Tot Salem	3.29	3.21	-0.07	3.22	3.16	-0.06	-0.06
Tot Winston	5.44	5.39	-0.04	5.34	5.36	0.02	-0.01
Tot Pvt Lbl RJR	3.21	2.92	-0.29	3.05	2.63	-0.42	-0.35
Brown & Williamson	13.16	12.77	-0.39	12.87	12.53	-0.34	-0.36
Tot Kool	2.93	2.92	-0.01	2.92	2.98	0.06	0.03
Tot GPC	4.65	4.39	-0.25	4.50	4.27	-0.23	-0.24
Lorillard	7.43	7.33	-0.10	7.43	7.44	0.02	-0.04
Tot Newport	5.43	5.40	-0.02	5.49	5.56	0.07	0.02
Liggett Group	1.40	1.35	-0.05	1.38	1.29	-0.09	-0.07
Commonwealth Brands	0.30	0.28	-0.02	0.28	0.25	-0.03	-0.02
Tot Dsct Cat	24.90	24.16	-0.73	24.22	23.65	-0.57	-0.65

2071885729

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Major Brands - Shipment Shares
6MM ending

	3/92	6/93	7/94	6/98	6/93 - 3/92	7/94 - 6/93	6/98 - 3/92
Marlboro	24.8	21.6	27.8	35.2	-3.2	6.2	10.4
Doral	4.4	4.6	4.8	6.8	0.2	0.2	2.4
Newport	4.7	4.6	5.1	6.8	-0.1	0.5	2.1
Basic	1.3	5.7	4.6	5.1	4.4	-1.1	3.8
GPC	2.9	5.0	5.4	5.9	2.1	0.4	3.0
Camel	4.1	4.1	4.0	4.9	0.0	-0.1	0.8
Maverick	0.0	0.0	0.0	0.5	0.0	0.0	0.5
RJR PL	0.2	3.5	2.7	1.6	3.3	-0.8	1.4
B&W PL	0.0	1.3	1.3	0.6	1.3	0.0	0.6
Liggett PL	1.0	0.9	1.0	0.6	-0.1	0.1	-0.4
Pyramid	0.8	0.3	0.4	0.1	-0.5	0.1	-0.7
Kool	4.8	2.5	3.7	3.4	-2.3	1.2	-1.4
Bristol	1.6	0.3	0.2	0.1	-1.3	-0.1	-1.5
Monarch	0.0	2.8	2.0	0.4	2.8	-0.8	0.4
Cambridge	2.5	2.0	1.8	0.9	-0.5	-0.2	-1.6
Winston	7.1	6.2	5.9	5.1	-0.9	-0.3	-2.0
Salem	5.2	3.9	3.8	3.2	-1.3	-0.1	-2.0
PM OPB	10.4	7.7	8.1	7.5	-2.7	0.4	-2.9
FVB	1.5	3.8	1.7	0.5	2.3	-2.1	-1.0
BestValue	1.4	3.3	1.0	0.2	1.9	-2.3	-1.2

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Total U.S. Shipments - Monthly
Database as of Jun 1998

Tot United States

	Volume Shipped Shr (Tot Industry) 3MM
Tot Dsct Cat	26.86
Tot Pvt Lbl	3.22
CORE DISC	18.85
Philip Morris	48.45
Tot Marlboro	34.53
R.J. Reynolds	24.20

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Shipment Shares
6MM ending

	3/92	6/93	7/94	6/98	6/93 - 3/92	7/94 - 6/93	6/98 - 3/92
Manufacturers							
PM-USA	42.9	41.6	44.7	49.4	-1.3	3.1	6.5
RJR	27.5	32.1	26.9	24.2	4.6	-5.2	-3.3
B&W	19.1	17.1	18.6	15.3	-2.0	1.5	-3.8
LORILLARD	7.3	6.9	7.4	8.9	-0.4	0.5	1.6
LIGGETT	3.2	2.4	2.4	1.2	-0.8	0.0	-2.0
AO	0.0	0.0	0.0	1.0	0.0	0.0	1.0
Segment							
Premium	73.0	60.1	67.3	72.9	-12.9	7.2	-0.1
Discount	27.0	39.9	32.7	27.1	12.9	-7.2	0.1
Branded Discount	24.7	30.7	26.2	23.9	6.0	-4.5	-0.8
Private Label	2.3	9.2	6.5	3.2	6.9	-2.7	0.9

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Shipment Shares
12MM ending

	3/93	6/98	Diff
Manufacturers			
PM-USA	42.2	49.0	6.7
RJR	29.5	24.3	-5.2
B&W	18.5	15.7	-2.8
LORILLARD	6.9	8.8	1.9
LIGGETT	2.8	1.3	-1.5
AO	0.0	1.0	1.0
Segment			
Premium	67.5	72.8	5.3
Discount	32.5	27.2	-5.3
Branded Discount	27.1	23.7	-3.4
Private Label	5.4	3.5	-1.9

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Major Brands - Shipment Shares
12MM ending

	3/93	6/98	Diff
Marlboro	24.1	34.5	10.5
Doral	4.3	6.6	2.2
Newport	4.7	6.8	2.1
Basic	3.0	4.9	1.9
GPC	4.6	6.1	1.5
Camel	4.1	4.8	0.8
Maverick	0.0	0.4	0.4
RJR PL	1.5	1.6	0.1
B&W PL	0.6	0.7	0.0
Liggett PL	0.9	0.7	-0.2
Pyramid	0.6	0.1	-0.4
Kool	4.0	3.4	-0.7
Bristol	0.7	0.1	-0.7
Monarch	1.4	0.5	-0.9
Cambridge	1.9	1.0	-0.9
Winston	6.3	5.4	-1.0
Salem	4.5	3.3	-1.2
PM OPB	9.2	7.7	-1.5
FVB	2.7	0.6	-2.1
BestValue	3.0	0.2	-2.8

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Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

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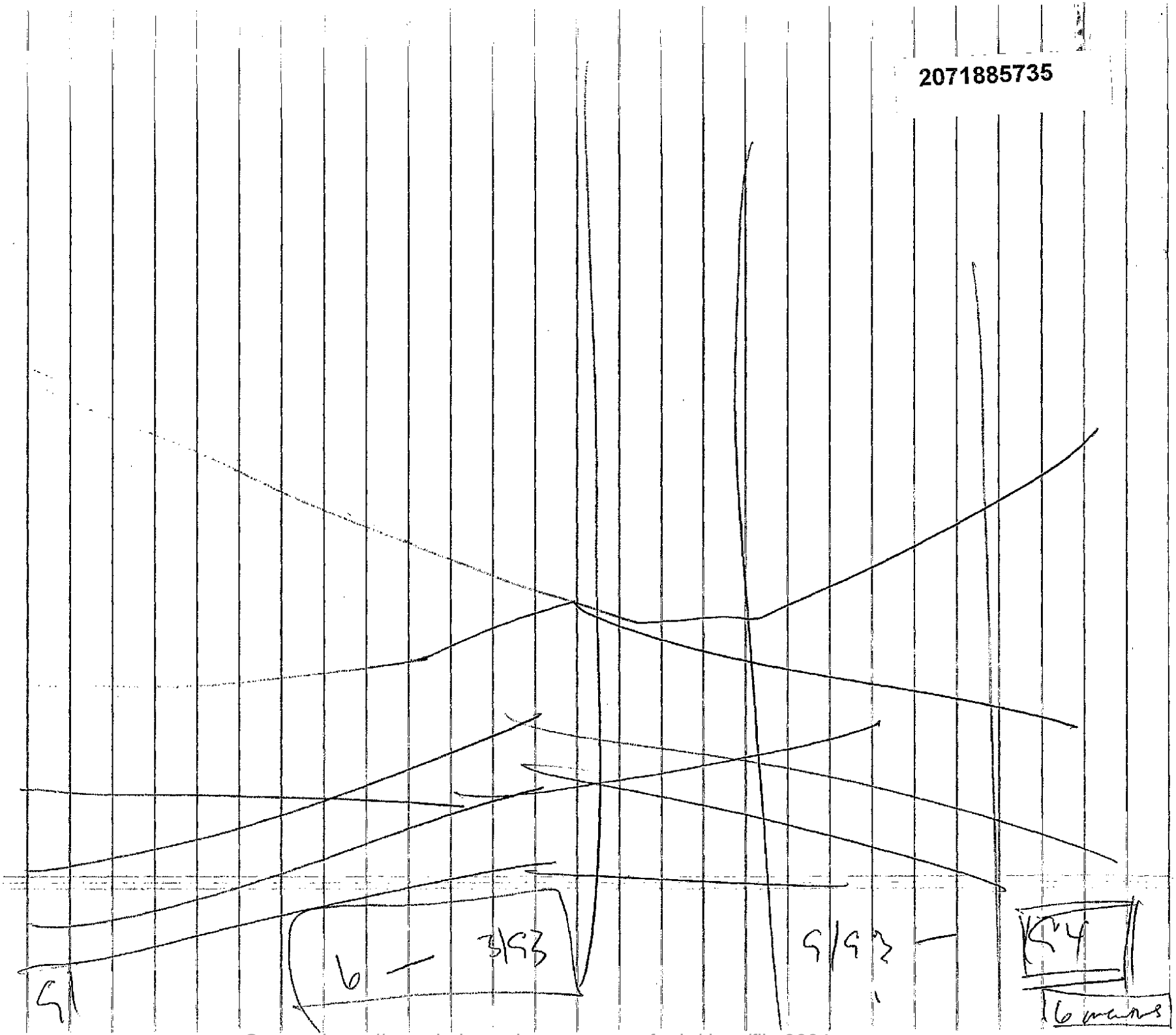

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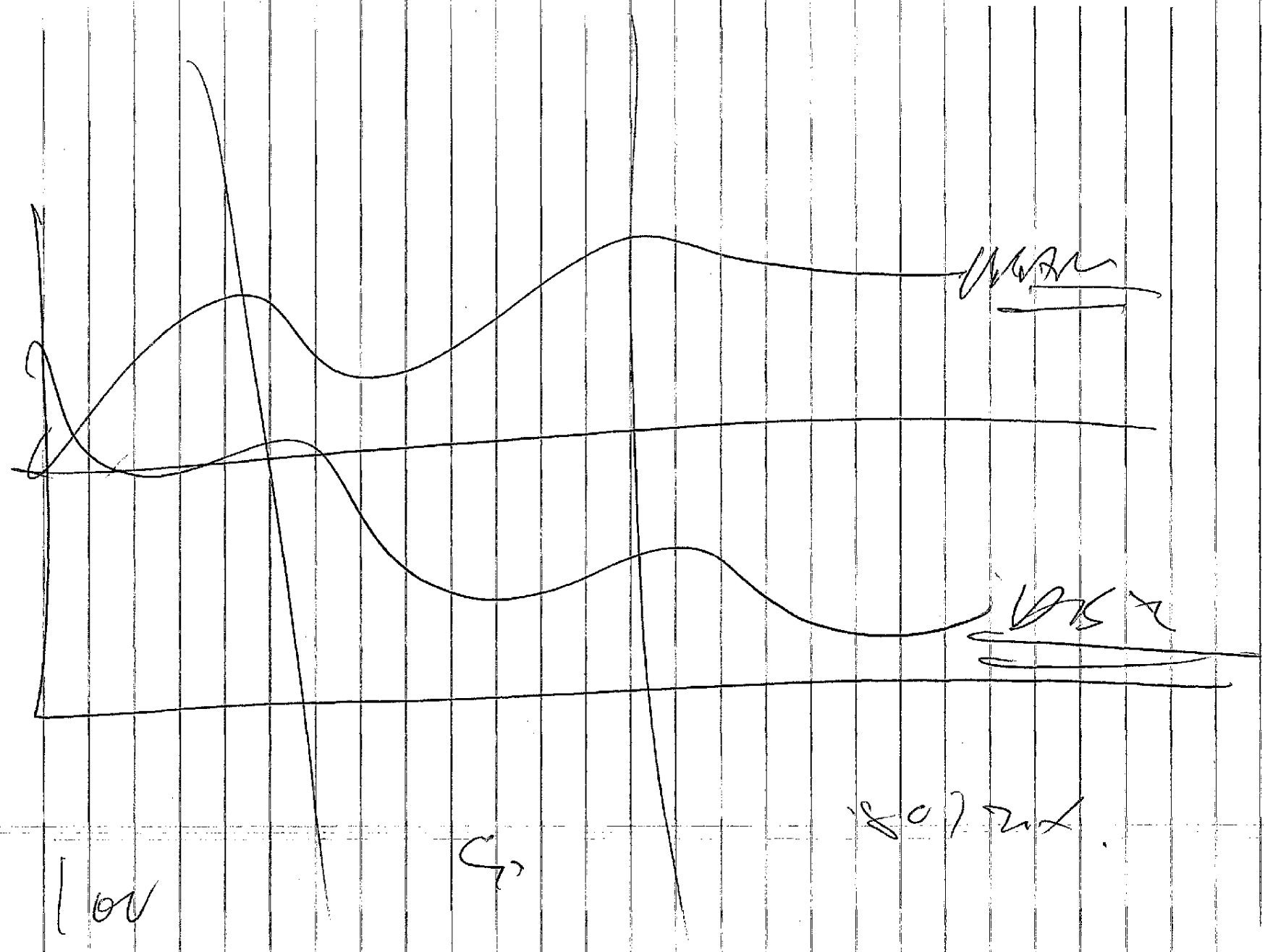

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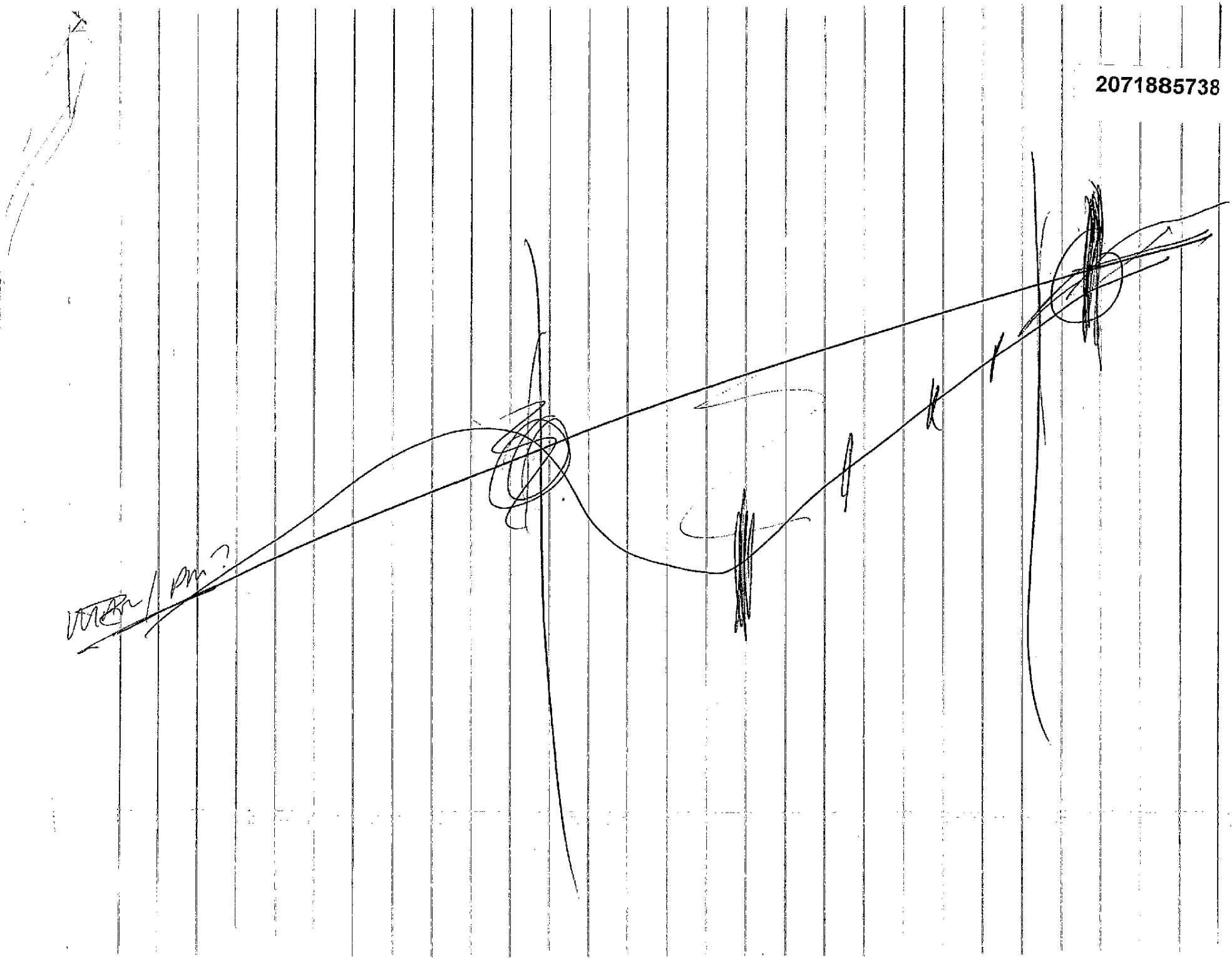

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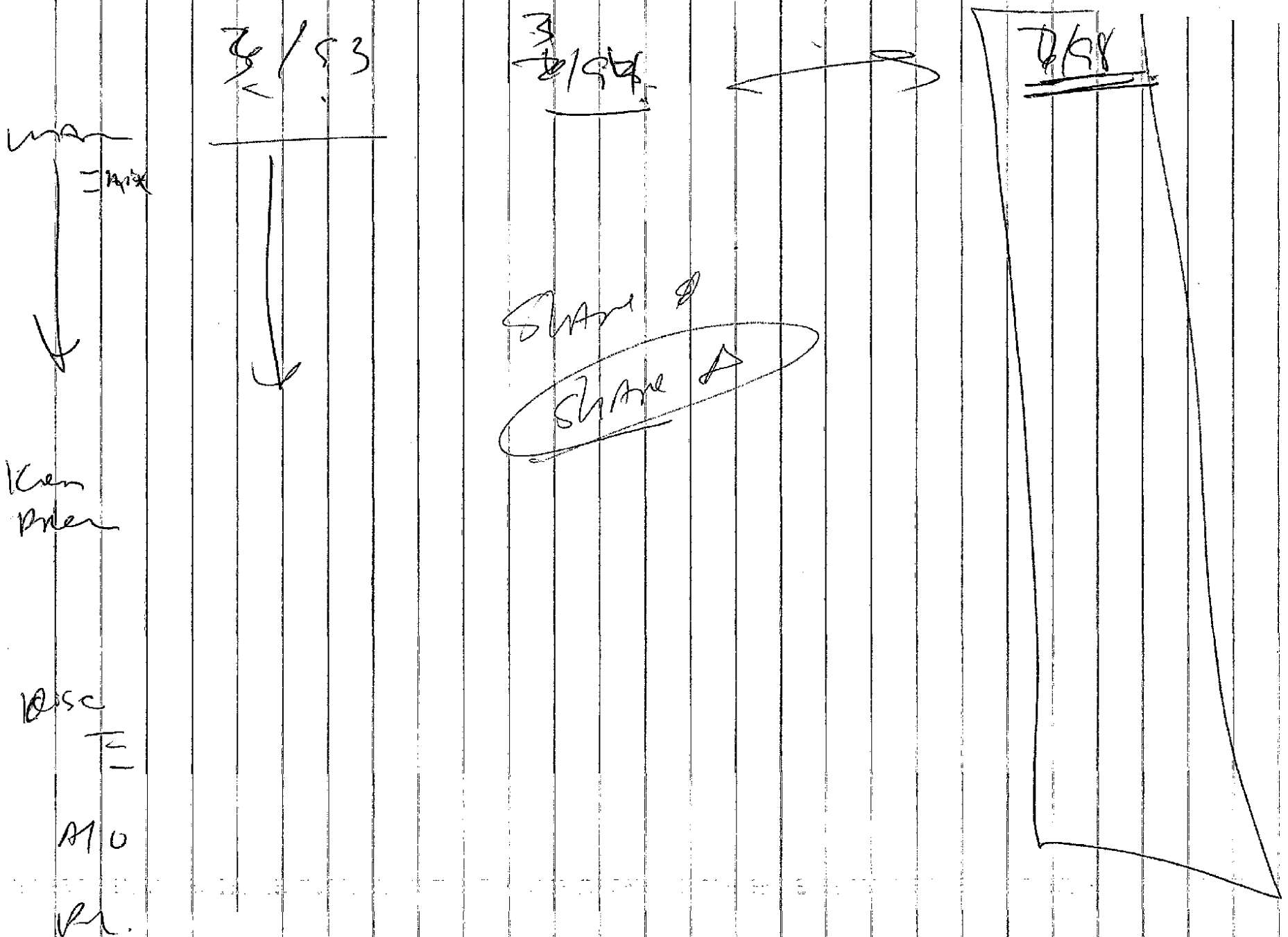

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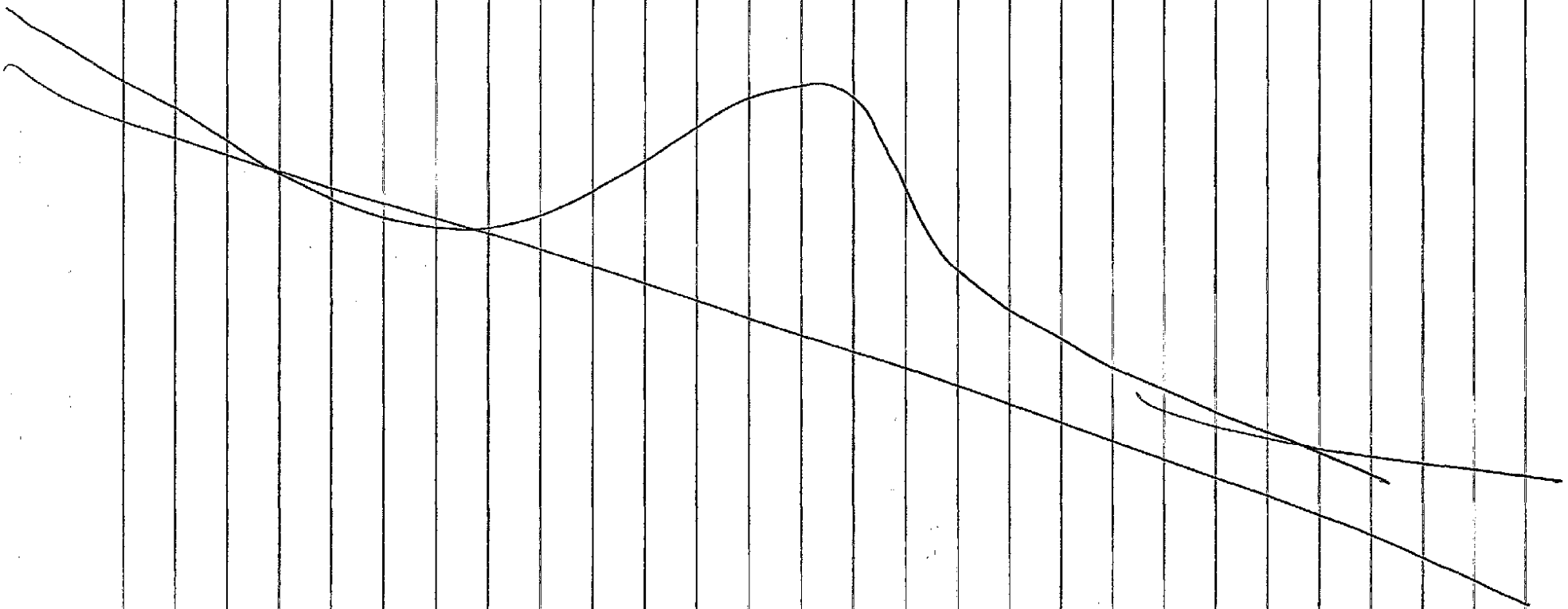

Source: https://www.industrydocuments.ucsf.edu/docs/flkn0004

Marlboro Kirkan

Assumptions:

Actions / timing

- 30/10
- ~~10/10~~
- Price promotion
- Happening now

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